

# MARKET CYCLE EVALUATION

*2016 OReGO FAST  
Act STSFA Grant  
February 2018*

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## Executive Summary

OReGO services are currently provided by third party vendors called Account Managers. The Oregon Department of Transportation (ODOT) contracts with the account managers to collect road usage charges from program participants and remit it to the state. The account managers are also responsible for managing mileage reporting technologies, collecting data from enrolled vehicles, providing customer service, processing transactions, and reporting required data to ODOT. Account Managers must complete a certification process with ODOT to offer services for the OReGO Program.

The current certification structure and related processes for an Account Manager to enter and exit the OReGO market needed to be streamlined to reduce negative business and consumer impacts, as well as enhance the benefits of an agile system.

ODOT also needed to identify what processes and systems would be required for ODOT to be the ODOT Account Manager, rather than outsourcing to a private vendor.

The objectives of this project were to:

- Align requirements for market entrance and exit with existing standards, such as SSAE-18 audit requirements, as well as state procurement laws and policies;
- Continue to refine and streamline the certification process to reduce barriers to entry;
- Define processes for when an Account Manager exits the OReGO market; and
- Define the business and system requirements for ODOT to be the ODOT Account Manager.

The Market Cycle subproject was originally scoped with a budget of \$102,850 and a completion timeline of October 2018. In January of 2017 when the project manager joined the team and was able to revise the schedule and scope the project was rebaselined at \$113,256. The project moved quicker than expected, completing in February of 2018. The body of work was more extensive than expected and the project ended with a total amount spent of \$116,602. The ODOT as the OAM tasks of the project required much more research and development than originally planned for.



## Background

### ODOT Road Usage Charging and OReGO

In 2001, the Legislature formed the Road User Fee Task Force (RUFTF). Its mission was to find an alternative source of transportation funding outside of fuel taxes. From this body, the concept of a road usage charge -- where volunteers pay for every mile they drive rather than for every gallon their vehicles consume — came into existence. With the passage of SB 810 in 2013, ODOT was mandated to create and maintain a road usage charge (RUC) program. The resulting OReGO program became operational on July 1, 2015.

### 2016 FHWA FAST Act STSFA Grant

In 2016, ODOT was awarded a federal grant from the Federal Highway Administration (FHWA) under the Fixing America's Surface Transportation (FAST) Act Surface Transportation System Funding Alternatives (STSFA) program. ODOT has defined eight projects to meet the objectives in the grant and enhance the OReGO program.

The primary project objectives are to:

1: Expand the market

- Expand technology options for reporting mileage
- Manage the open market
- Develop requirements for a manual reporting option
- Streamline reporting and data sharing

2: Increase public awareness

3: Evaluate compliance mechanisms

- Account manager
- RUC payer

4: Explore interoperability

## Description of the “Market Cycle” subproject

The current certification structure and related processes for an account manager to enter and exit the OReGO Program needed to be streamlined to reduce negative business and consumer impacts as well as enhance the benefits of an agile system.

One of the objectives of the 2016 OReGO FAST Act STSFA grant “Market Cycle” subproject was to identify which processes and systems would be required for ODOT to be the ODOT Account Manager rather than outsourcing those to a private vendor.

Another objective was to align the current program requirements with existing standards, such as SSAE-18 audit requirements, as well as state procurement laws and policies, and to continue to refine and streamline the certification process to reduce barriers to market entry.

The Market Cycle subproject aligned with several FAST Act requirements, including implementation, interoperability, public acceptance, use of private third party vendors, equity, flexibility and user choice, and decreased administrative cost.

## Evaluation

### What Was Done

Planning for the “Market Cycle” subproject began in November 2016. Evaluation and requirement gathering began in February 2017 and ended in November 2017. The certification alignment streamlining work took place from August through November 2017.

The certification process for Account Managers was streamlined by redesigning documents to create cohesiveness and clarity, aligning requirements with industry standards where possible, eliminating duplicate phases in the certification process, and better defining the overall certification process for staff training. To better identify the areas to be streamlined, we conducted a live recertification of an active Account Manager.

In addition to updating the Account Manager certification process for market entrance, processes were defined for Account Manager exit from the market. Exit processes included development of an audit plan, a participant transition strategy, which included a communication plan, and a settlement agreement template. The exit processes we developed will allow ODOT to manage Account Manager exits from the market efficiently and with the lowest possible impact to participants.

The requirements for ODOT to operate as the ODOT Account Manager were analyzed. This resulted in documented business requirements for

a potential future implementation. Next steps for ODOT to operate as the ODOT Account Manager have been developed for short, mid, and long term options.

## STSFA Requirements

### Implementation

The certification streamlining and requirement alignment efforts are being implemented into the current OReGO Program. Account manager exit processes were implemented in early 2017 for use during the exit of an active account manager from the current program.

Next steps for ODOT to operate as the ODOT Account Manager have been developed and provided to management for consideration.

### Interoperability

By aligning requirements against industry standards, other jurisdictions can easily use the same requirements and acceptance criteria without additional testing required on their part. The revised certification process is more readily available for other jurisdictions to leverage portions of the process (or the process as a whole) when formalizing their own certification processes.

### Use of private third-party vendors

Expanding the RUC market provides an opportunity for private sector business partners to provide services at no cost to the Agency while using the platform to provide related services to participants. This lowers ODOT's administrative costs while enabling competition in the RUC market, which engenders more options for participants. The Market Cycle subproject streamlined the market entry process to make it more efficient and cost effective to both the Agency and the account manager to certify the account manager offerings.

### Acceptance

Making it more efficient and cost-effective for account managers to enter and exit the market encourages account manager participation. More active account managers in the program will provide additional choices to the Oregon public, providing the opportunity to increase program acceptance.

### Equity

All of the Market Cycle subproject efforts supported the equity objective, ensuring that all account managers are treated fairly and equally across certification practices, requirements, and operational standards.

### Flexibility and User Choice

The certification process, procedures, and supporting documentation that have been revised in this project will be used during testing of new mileage reporting technologies. By leveraging the revised certification process for testing new technologies, the program will be able to validate that the revisions to the process are sound and can be incorporated into the operational program.

### Decrease Administrative Cost

Developing a market exit process streamlines the effort for an Account Manager to leave the market and lowers administrative costs for the Agency to manage the Account Manager exit, audit, and participant transitions.

Quantitative and qualitative assessments were conducted to analyze the improvements identified while executing the Market Cycle subproject. The results found potential increases to revenue through a reduction in tax evasion, and improved business efficiency with new compliance procedures. The assessment focused on three main areas:

- **Requirements:** There were several requirements that did not provide enough clarity, which made it possible for account managers to misinterpret the true intent of the requirement. These requirements were revised during the project to provide more definitive language, explicit clarifications, and illustrative examples to ensure future account manager development did not misinterpret (and therefore incorrectly implement) the requirement. It also ensures that implementations are aligned with the intent behind the requirement.
- **Certification Process:** There were several steps in the certification process with instructional steps that were not optimized for efficiency. Additionally, some steps or activities were duplicative in portions of the process. The certification processes were revised to combine steps where appropriate, streamline evaluation procedures, and provide more robust training to evaluation staff.
- **Ongoing Certification:** The certification process was evaluated and refined to accommodate use as a tool for ongoing certification of account managers. Periodic compliance checks of each active account manager provide the OReGO Program with evaluation tools to ensure compliance with requirements.

The assessment identified approximately \$90,000 in cost savings for each certification effort moving forward. The bulk of this cost savings is a reduction of approximately 250 resource hours for each certification effort.

The assessment also identified \$457,500 in contract amendments (and related costs for resource hours spent) that were needed in the first two years of the OReGO Program to resolve incorrectly implemented requirements.

## Lessons Learned

The outline below summarizes the OReGO team's lessons learned including challenges that had to be overcome, findings, and recommendations for future implementations.

### ODOT as the OAM

- Ensure there is sound documentation on existing business processes as foundation before beginning to build on them. It was difficult to develop the processes for ODOT to be the ODOT Account Manager because not all the current business processes were well documented, making it hard to define the starting point. In part this was because the business processes were being refined from the time of inception to the time this project was undertaken.
- It is helpful to know the Agency's direction or preferred objectives in the beginning to drive a smooth project. Without a clear direction, a lot of assumptions were made that resulted in rework after confirming Agency direction later in the project.
- The Jurisdiction or Agency managing the program should not manage the technology assets. Any devices, beacons, etc. should be contracted through a third party vendor. The resources necessary to manage the technology assets, i.e. staff, space, equipment, do not make it cost effective.
- What it takes to be an Account Manager can be a very complex and complicated concept. There are a lot of requirements and testing to comply with as well as customer service coordination. A clear and easy-to-follow communication tool is helpful to explain the options to decisions makers.
- Robust financial and customer relation systems are required to operate as an Account Manager. ODOT is not equipped with these tools.
- It is important to keep in mind that an Agency-ran Account Manager would likely have the RUC Payers that cannot or will not enroll with a Commercial Account Manager. These are going to be the RUC Payers that are unbanked, cannot enroll online, have been removed from a CAM, etc. This is likely to increase the costs to deliver these services.



## Align Requirements with Industry Standards

- There are very few industry standards that relate directly to requirements for road usage charging. It would be beneficial to be an active participant in standard setting organizations, i.e. SAE and ANSI, to assist in developing industry standards related to road usage charging. SAE is a globally active professional association setting standards for the automotive engineering industry. The American National Standards Institute, ANSI, is a private non-profit that oversees the development of voluntary consensus standards for products, processes, and systems. Being members of these organizations would put ODOT at the forefront of the decisions being made on standards.
- When it is determined that an industry standard can be aligned with a program requirement, it is not always clear what the Account Manager would submit as proof of compliance. Not all industry standards are issued certificates of compliance or other documentation.
- In the absence of industry standards, it is difficult to set requirements robust enough that they are understood by Account Managers.
- By relying on State standards, there is a potential for limiting interoperability because requirements may be too specific to a unique state.
- It would be helpful to have a dedicated resource to manage standards as the Industry evolves.

## Streamlining Certification

- The current certification process is cumbersome for the Account Managers. The process has several steps that can overlap and many requirements and tests necessary to prove compliance. It can be overwhelming if not explained clearly.
- As the concept of road usage charge and the use of Account Managers evolves, aligning requirements with industry standards will help streamline the certification process naturally. This will require that OReGO monitor changing industry standards.
- There is a need to find the balance between governance and innovation. The certification process must be robust enough to ensure jurisdictional needs and legislative requirements are met, while still being streamlined and flexible so as not to restrict vendor and industry innovation and evolution.

- Some requirements were not clear and concise enough to return the expected test results from account managers. This led to refining some requirements to match the intent of the requirement, as well as providing examples, clarifying language, and use cases.
- There is a need for an oversight role to manage certification activities. A process for regular audits or recertification should be developed and implemented.
- It is good practice to have internal stakeholders, who are active participants, audit or test the system. Because an internal stakeholder is familiar with the program and knows what the expectations are, they are more likely to catch any discrepancies.

### Exit Process

- A transition plan for moving volunteers to another Account Manager is important, to prevent penalizing volunteers because their Account Manager is exiting the market.
- Communication with volunteers to explain their options is key to maintaining at least a certain percentage of them.
- Defining expected data at every touchpoint during the exit process that will make auditing easier. Example: Sum of daily miles = daily mileage message = daily transaction record.
- Once an Account Manager exits the market, it is harder to hold it to contractual obligations. Having some mechanism, such as requiring a bond, would be useful.
- It is imperative to document all decisions made with Account Managers during the course of the contract, especially if there are issues that are potentially going to result in resolving the contract.

## Conclusion and Next Steps

The Market Cycle subproject resulted in streamlined certification processes that are being implemented into the current OReGO Program through 2017 and 2018. The subproject leveraged an active Account Manager exit in early 2017 to develop and execute the Account Manager exit processes created through this effort. Short, mid, and long term options were developed for ODOT to be the OAM. Plans ranged from 3 months to 36 months. The options write-up has been provided to ODOT Management for consideration for a potential future implementation.